

MERCURY INDUSTRIES BERHAD
(Company No. 105550 - K)

The Board of Directors is pleased to announce the following :

UNAUDITED INTERIM REPORT OF THE GROUP FOR THE FIRST QUARTER ENDED 31 MARCH 2019

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	INDIVIDUAL PERIOD				CUMULATIVE PERIOD			
	Current	Preceding	Changes		Current	Preceding	Changes	
	Quarter Ended 31/3/2019 RM'000	Year Quarter Ended 31/3/2018 RM'000	Amount RM'000	%	Year To Date 31/3/2019 RM'000	Year To Date 31/3/2018 RM'000	Amount RM'000	%
Revenue	38,731	21,772	16,959	77.9%	38,731	21,772	16,959	77.9%
Cost of Sales	(33,331)	(19,084)	(14,247)	74.7%	(33,331)	(19,084)	(14,247)	74.7%
Gross Profit	5,400	2,688	2,712	100.9%	5,400	2,688	2,712	100.9%
Other Income	218	212	6	2.8%	218	212	6	2.8%
Operating Expenses	(1,353)	(1,514)	161	-10.6%	(1,353)	(1,514)	161	-10.6%
Profit from Operations	4,265	1,386	2,879	207.7%	4,265	1,386	2,879	207.7%
Finance Costs	(629)	(491)	(138)	28.1%	(629)	(491)	(138)	28.1%
Profit Before Tax	3,636	895	2,741	306.3%	3,636	895	2,741	306.3%
Income Tax	(928)	(365)	(563)	154.2%	(928)	(365)	(563)	154.2%
Profit For The Period	2,708	530	2,178	411.0%	2,708	530	2,178	410.9%
Other Comprehensive Income, Net Of Tax	-	-	-		-	-	-	
Total comprehensive income for the period	2,708	530	2,178	411.0%	2,708	530	2,178	410.9%
Total comprehensive income attributable to:								
Owners of the Company	1,977	305	1,672	548.2%	1,977	305	1,672	548.2%
Non-controlling interests	731	225	506	224.9%	731	225	506	224.9%
Total comprehensive income for the period	2,708	530	2,178	410.9%	2,708	530	2,178	410.9%
Earnings per share (Sen)	4.92	0.76			4.92	0.76		

The Condensed Consolidated Statements of Profit or Loss And Other Comprehensive Income should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited As At 31/3/2019 RM'000	Audited As At 31/12/2018 RM'000
ASSETS		
Non-current Assets		
Property, plant and equipment	4,638	5,024
Goodwill on consolidation	31,509	31,509
Investment properties	5,680	5,680
Deferred tax assets	800	800
	<u>42,627</u>	<u>43,013</u>
Current Assets		
Inventories	-	2,079
Trade receivables	101,895	114,704
Other receivables	9,427	3,185
Contract assets	229	49
Other investments	104	104
Tax recoverable	87	279
Short term deposits	2,606	2,275
Cash and bank balances	7,774	4,699
	<u>122,122</u>	<u>127,374</u>
TOTAL ASSETS	<u>164,749</u>	<u>170,387</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	122,001	122,001
Accumulated losses	(46,427)	(48,404)
Equity attributable to owners of the Company	<u>75,574</u>	<u>73,597</u>
Non-controlling interests	11,736	11,005
Total Equity	<u>87,310</u>	<u>84,602</u>
Non current Liabilities		
Term loan > 12 months	1,385	1,468
Finance lease liabilities	1,725	1,700
	<u>3,110</u>	<u>3,168</u>
Current Liabilities		
Trade payables	28,270	28,752
Others payables	9,889	7,741
Contract liabilities	1,734	6,708
Finance lease liabilities	1,105	1,167
Term loan < 12 months	403	424
Bank overdrafts	895	949
Bank borrowings	31,624	36,876
Tax payable	409	-
	<u>74,329</u>	<u>82,617</u>
TOTAL EQUITY AND LIABILITIES	<u>164,749</u>	<u>170,387</u>
Net assets per share (RM)	1.8808	1.8316

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<i>Attributable To Owners</i>			Non- Controlling Interest	Total Equity
	<i><----- Of The Company -----></i>				
	Issued Capital	Accumulated Loss	Total	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as of 1.1.2019	122,001	(48,404)	73,597	11,005	84,602
Total Comprehensive Income For The Period	-	1,977	1,977	731	2,708
Balance as of 31.3.2019	<u>122,001</u>	<u>(46,427)</u>	<u>75,574</u>	<u>11,736</u>	<u>87,310</u>
Balance as of 1.1.2018	122,001	(47,866)	74,135	10,772	84,907
Total Comprehensive Income For The Period	-	305	305	225	530
Balance as of 31.3.2018	<u>122,001</u>	<u>(47,561)</u>	<u>74,440</u>	<u>10,997</u>	<u>85,437</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

The Group	3 months ended 31/3/2019 RM'000	3 months ended 31/3/2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Profit before taxation	3,636	895
Adjustment for non-cash items	945	921
Operating Profit Before Working Capital Changes	<u>4,581</u>	<u>1,816</u>
Changes in working capital:		
Inventories	2,079	(401)
Receivables	6,567	(12,910)
Customers on contract	(5,154)	6,528
Payables	1,666	(7,072)
Bills payable	1,012	-
Income tax paid	(327)	(664)
Net Cash From/(Used in) Operating Activities	<u>10,424</u>	<u>(12,703)</u>
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32)	(72)
Placement of fixed deposits pledged	(331)	-
Proceeds from disposal of property, plant & equipment	30	-
Interest received	71	8
Net Cash Used in Investing Activities	<u>(262)</u>	<u>(64)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Drawdown of bankers' acceptance	-	6,819
Drawdown of factoring facility	-	6,755
Drawdown of term loan	-	1,295
Finance costs paid	(629)	(490)
Repayment of finance lease liabilities	(37)	(308)
Repayment of factoring facility	(6,263)	-
Repayment for term loan	(104)	-
Net Cash (Used In)/From Financing Activities	<u>(7,033)</u>	<u>14,071</u>
CASH AND CASH EQUIVALENTS		
Net changes	3,129	1,304
Balance as of 1 January	3,750	(122)
Balance as at end of financial period	<u>6,879</u>	<u>1,182</u>

Cash and cash equivalents at the end of the financial period comprise the following balance amount:

	As at 31/3/2019 RM'000	As at 31/3/2018 RM'000
Cash and bank balances	7,774	2,645
Bank overdrafts	(895)	(1,493)
Short term deposits	2,606	1,268
Less: Fixed deposits pledged	<u>(2,606)</u>	<u>(1,238)</u>
	<u>6,879</u>	<u>1,182</u>

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Annual Audited Financial Statements for the year ended 31 December 2018

Part A - Explanatory Notes Pursuant To Financial Reporting Standard 134

1. Basis of Preparation

The interim financial report is unaudited and have been prepared in compliance with Malaysian Financial Reporting Standard (MFRS) 134 - Interim Financial Reporting, issued by the Malaysian Accounting Standards Board ("MASB") and Part A of Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB").

The same accounting policies and methods of computation are followed in the quarterly financial statements as compared with the Annual Financial Statements of the Group for the year ended 31 December 2018.

Apart from the above, the quarterly financial statements are to be read in conjunction with the Annual Financial Statements for the year ended 31 December 2018.

2. Financial Reporting Standards

Significant accounting policies adopted by the Group in these interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2018.

The Group has adopted the Malaysian Financial Reporting Standards ("MFRSs") framework issued by MASB with effect from 1 January 2012. This MFRS framework was introduced by MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRSs") framework with the International Financial Reporting Standards ("IFRSs") framework issued by the International Accounting Standards Board. There has been no material impact upon the adoption of the MFRSs on the financial statements of the Group.

The Group has also adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting periods beginning on or after 1 January 2019. The adoption of these new and revised MFRS and IC Interpretations have not resulted in any material impact upon the financial statements of the Group.

MFRSs and IC Interpretations that were issued but are not yet effective have not been early adopted by the Group.

3. Auditors' Report on Preceding Annual Financial Statements

There was no qualification of the Group audited financial statements for the year ended 31 December 2018.

4. Segmental Reporting

Segmental report for the financial period ended 31 March 2019 is as follows:

	Building Materials RM'000	Construction RM'000	Investment Holding RM'000	Eliminations RM'000	Consolidated RM'000
<u>3 Months Ended 31/3/2019</u>					
Revenue					
External revenue	615	38,116	-	-	38,731
Inter-segment revenue	7,245	-	300	(7,545)	-
Total revenue	<u>7,860</u>	<u>38,116</u>	<u>300</u>	<u>(7,545)</u>	<u>38,731</u>
Results					
Segment profit	800	3,621	(227)	-	4,194
Interest income	-	71	-	-	71
Finance cost	(141)	(485)	(3)	-	(629)
Profit before tax	<u>659</u>	<u>3,207</u>	<u>(230)</u>	<u>-</u>	<u>3,636</u>
<u>3 Months Ended 31/3/2018</u>					
Revenue					
External revenue	2,852	18,919	-	-	21,772
Inter-segment revenue	3,755	-	-	(3,755)	-
Total revenue	<u>6,607</u>	<u>18,919</u>	<u>-</u>	<u>(3,755)</u>	<u>21,772</u>
Results					
Segment profit	452	1,400	(474)	-	1,378
Interest income	-	6	2	-	8
Finance cost	(127)	(360)	(4)	-	(491)
Profit before tax	<u>325</u>	<u>1,046</u>	<u>(476)</u>	<u>-</u>	<u>895</u>

Sales Revenue By Geographical Market

The Group's revenue is derived wholly from its operating activities in Malaysia.

5. Unusual Item Affecting Assets, Liabilities, Equity, Net Income Or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial quarter under review.

6. Change Of Estimates Used

There was no material change in estimates for the financial quarter under review.

7. Seasonality Or Cyclicity Of Interim Operations

The Group's operations are not significantly affected by any seasonal or cyclical factors.

8 Dividends Paid

There was no dividend paid during the financial quarter under review (2018: Nil).

9. Issuance, Cancellation, Repurchases, Resale and Repayments Of Debt and Equity Securities

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities for the current quarter ended 31 March 2019.

10. Material Events Not Reflected In The Financial Statements

There were no material events in the financial quarter under review that have not been reflected in the financial statements for the said period.

11. Changes In The Composition Of The Group

There were no changes in the composition of the Group for the current quarter ended 31 March 2019.

12. Capital Commitments

There is a capital commitment of RM8.39 million in respect of the acquisition of the remaining 30% equity interest in the subsidiary, Paramount Bounty Sdn Bhd ("PBSB"), which has not been reflected in the interim financial statements for the current quarter ended 31 March 2019.

13. Contingent Liabilities/Assets

The Company has issued unsecured corporate guarantees totalling RM104.4 million to certain financial institutions and building materials suppliers for credit facilities granted to its subsidiary companies. Accordingly, the Company is contingently liable to such financial institutions and suppliers to the extent of the amount of credit facilities utilised. There is no contingent assets as at the date of this report.

14. Recurrent Related Party Transactions

Details of the relationship between the Group and its related party are as described below.

Name of Related Party

(a) Pujian Development Sdn Bhd ("Pujian")

Relationship

* Pujian is a subsidiary of EcoFirst Consolidated Berhad in which Dato' Tiong Kwing Hee ("Dato' Tiong") is the Group Chief Executive Officer, Director and major shareholder. Dato' Tiong is also the Managing Director and major shareholder of Mercury.

* Shareholders' mandate has already been obtained at the last Annual General Meeting held on 24 May 2018.

The information on the transactions which have been entered into with the Group during the period is as follows:

Nature of Transactions	Current	Year
	Quarter	to date
	31/3/2019	31/3/2019
	RM'000	RM'000
(a) Pujian		
(i) Civil & construction works for Pujian	32,535	32,535
(ii) Rental of office space from Pujian	58	58

15. Material Subsequent Event

There were no material events subsequent to the end of the financial period under review that have not been reflected in the financial statements for the said period.

Part B - Explanatory Notes Pursuant To Appendix 9B Of The Listing Requirements Of Bursa Malaysia Securities Berhad**16. Review Of Performance**

During the quarter under review, Group's revenue increased by RM16.96 million (+77.9%) to RM38.73 million as compared to RM21.77 million achieved in the corresponding quarter in 2018, while Group's pretax profit increased by RM2.74 million (+306.3%) to RM3.64 million as compared to RM0.90 million achieved in the corresponding quarter of 2018. The explanation for the variances is as stated in the segmental review below.

The Construction Segment, due to the accelerated pace of construction works in its Ampang project towards its completion date, revenue increased by RM19.2 million (+101.5%) to RM38.1 million while pretax profit increased by RM2.16 million (+206.6%) to RM3.21 million as compared to the revenue of RM18.92 million and pretax profit of RM1.05 million achieved in the corresponding quarter of 2018.

The Building Materials Segment's revenue increased by RM1.25 million (+19.0%) to RM7.86 million while pretax profit increased by RM0.33 million (+102.8%) to RM0.66 million as compared to RM6.61 million and RM0.33 million respectively in the corresponding quarter of 2018. The substantial increase in both revenue and pretax profit was due primarily from the increased sales to its subsidiary company, PBSB as a result of PBSB's accelerated pace of construction.

The Investment Holding Segment recorded a revenue of RM0.3 million from the management fees received from the subsidiaries and a pretax loss of RM0.23 million during the current quarter. In the corresponding quarter in 2018, there was no revenue and the segment recorded a pretax loss of RM0.48 million.

17. Comparison With Previous Quarter's Results

	Current Quarter	Previous Quarter	Changes	
	31/3/2019	31/12/2018	RM'000	%
Revenue	38,731	36,126	2,605	7.2
Operating Profit	4,265	986	3,279	332.6
Profit Before Interest and Tax	4,265	986	3,279	332.6
Profit Before Tax	3,636	49	3,587	7,320.6
Profit After Tax	2,708	17	2,691	15,830.0
Profit Attributable to Owners of the Company	1,977	231	1,746	755.8

The comparison of the performance over the two quarters can be explained by the following breakdown:

	Building Materials	Construction	Investment Holding	Eliminations	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
a) Turnover					
i) For the current quarter ended 31/3/2019	7,860	38,116	300	(7,545)	38,731
ii) For the previous quarter ended 31/12/2018	6,550	35,836	620	(6,880)	36,126
Variance (value)	1,310	2,280	(320)	(665)	2,605
Variance (%)	20.0%	6.4%	-51.6%	9.7%	7.2%
b) Pretax Profit/ (Loss)					
i) For the current quarter ended 31/3/2019	659	3,207	(230)	-	3,636
ii) For the previous quarter ended 31/12/2018	620	(727)	156	-	49
Variance (value)	39	3,934	(386)	-	3,587
Variance (%)	6.3%	541.1%	-247.4%	-	7320.4%

For the current quarter, revenue increased by RM2.61 million (+7.2%) while pretax profit increased by RM3.59 million (+7,320.4%) as compared to the previous quarter. The increase in revenue was contributed by both the Construction and Building Materials segments. The increase in pretax profit was mainly contributed by the Construction segment as in the previous quarter this segment suffered a pretax loss of RM0.73 million due to the partial reversal of recognised profit and the impairment of receivable arising from the termination of the construction contract of the Tg. Kling project, and the adjustment in profit margin due to the increase in construction costs.

18. Prospects For 2019

With the uncertainties by the failure of the latest round US-China trade negotiations on global economic growth, the continual strengthening of US Dollar and the outflow of foreign funds, Malaysia is expected to experience slower economic growth in 2019. The challenging operating conditions in the residential property sector is expected to prolong well into 2019. Hopefully, the reduction in interest rates by 0.25% per annum and the government incentives for new house buyers will spur the demand and the construction of new residential properties. As for PBSB, the construction subsidiary, it is actively pursuing new projects to replenish its orderbook and is optimistic of securing some new construction contracts this year.

In view of the uncertainties stated, the Board's outlook on the prospects for 2019 is dependent on the ability of PBSB to secure new construction contracts during the year. If new contracts materialise and barring unforeseen circumstances, the Board is cautiously optimistic that the Group will continue to remain profitable in 2019 as there is also a guaranteed profit after tax of RM1.0 million on the purchase of Mercury Building Supplies Sdn Bhd ("MBS").

19. Variance From Profit Forecast

This note is not applicable.

20. Profit/(Loss) For The Period

Profit/(Loss) for the period is arrived at:

	Current Quarter 31/3/2019 RM'000	Corresponding Quarter 31/3/2018 RM'000	Year to date 31/3/2019 RM'000	Year to date 31/3/2018 RM'000
After charging:				
Depreciation & amortisation	418	422	418	422
Fair value adjustment on other investments	-	17	-	17
Interest expenses	629	491	629	491
Rental expense	57	-	57	-
And after crediting:				
Interest income	71	8	71	8
Rental income	58	53	58	53
Gain on sale of property, plant and equipment	30	-	30	-

21. Income Tax Expense

	Current Quarter 31/3/2019 RM'000	Year to date 31/3/2019 RM'000
Provision for current taxation		
- Current year	<u>(928)</u>	<u>(928)</u>

22. Gain or Loss On Derivatives

This is not applicable as the Group does not deal in derivatives.

23. Exceptional Items

There were no exceptional items during the financial quarter under review.

24. Status Of Corporate Proposals

The proposed acquisition of 30% equity interest in PBSB is still pending completion in the financial quarter under review.

25. Status of Utilisation of Proceeds From Disposal of Silverlight Prospects Sdn Bhd ("SPSB")

Purpose	Proposed Utilisation RM'000	Actual Utilisation As At 31 March 2019 RM'000	Initial Timeframe For Utilisation Of Proceeds From Date of Disposal (22 June 2017)	Balance Of Unutilised Proceeds RM'000
(a) Repayment of bank borrowings	30,000	30,000	Within 12 months	Nil
(b) Working capital purposes	19,650	18,312	Within 12 months	1,338
(c) Defray expenses on disposal of SPSB #	850	759	Within 12 months	91
Total	50,500	49,071		1,429

Remaining balance of RM91,000 will be channeled as working capital purposes of the Company.

26. Group Borrowings And Debt Securities

(a) The Group's borrowings as of 31 March 2019 are as follows:

	As At Period Ended 31/3/2019		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured:-			
Term loan	1,385	403	1,788
Bank overdraft	-	895	895
Bankers' acceptance	-	5,597	5,597
	<u>1,385</u>	<u>6,895</u>	<u>8,280</u>
Unsecured:-			
Factoring loan	-	26,027	26,027
	<u>-</u>	<u>26,027</u>	<u>26,027</u>
Total	<u>1,385</u>	<u>32,922</u>	<u>34,307</u>

	As At Period Ended 31/3/2018		
	Long term	Short term	Total borrowings
	RM'000	RM'000	RM'000
Secured:-			
Term loan	1,793	1,297	3,090
Bank overdraft	-	1,493	1,493
Bankers' acceptance	-	6,819	6,819
	<u>1,793</u>	<u>9,609</u>	<u>11,402</u>
Unsecured:-			
Factoring loan	-	20,573	20,573
	<u>-</u>	<u>20,573</u>	<u>20,573</u>
Total	<u>1,793</u>	<u>30,182</u>	<u>31,975</u>

(b) There were no borrowings or debt securities denominated in foreign currencies.

28. Changes In Material Litigation

There is no material litigation as of the date of this report.

29. Dividend Payable

The Board has not proposed any dividend for the financial quarter under review (2018: Nil).

30. Profit Guarantee

In the acquisition of the 100% equity interest in MBS, the vendors have guaranteed that MBS will achieve an audited Profit After Tax ("PAT") of RM1.0 million per annum for each of the financial year ending 31 December 2018, 2019 and 2020. For the financial ending 31 December 2018, MBS achieved an audited PAT of RM1.87 million and the guarantee is considered as fulfilled.

31. Earnings Per Ordinary Share

The basic earnings per share is calculated by dividing the profit for the period attributable to the Owners of the Company by the weighted average number of ordinary shares in issue during the period:-

	Current Quarter		Year to date	
	31/3/2019	31/3/2018	31/3/2019	31/3/2018
Profit attributable to Owners of the Company (RM'000)	1,977	305	1,977	305
Weighted average number of ordinary shares in issue ('000)	40,182	40,182	40,182	40,182
Basic earnings per share (Sen)	<u>4.92</u>	<u>0.76</u>	<u>4.92</u>	<u>0.76</u>

ADDITIONAL INFORMATION

- Gross interest income
- Gross interest expense

INDIVIDUAL QUARTER	
Current Year Quarter	Preceding Year Corresponding Quarter
31/3/2019	31/3/2018
RM'000	RM'000
71	8
629	491

CUMULATIVE QUARTER	
Current Year To Date	Preceding Year Corresponding Period
31/3/2019	31/3/2018
RM'000	RM'000
71	8
629	491